

is gained daily and independently of final cost returns, this is not a valid objection to interlocking costs in general, though it may be to interlocking costs as generally construed. Those of us who were close enough to Taylor to absorb the full spirit of his idea of functionalization and cooperation cannot look with favor on the increasing importance the accountant of today arrogates to himself, though this may be due directly to the lack of interest and pains the plant executive of the past has taken in acquainting himself with accounting methods. Besides, it undoubtedly happens at times that an accountant possesses superior intelligence and broader general experience than the executive with whom he is associated; but this is not as it should be. As the reviewer sees it, it is part of every executive's duty to acquire a thorough acquaintance with accounting methods; and the duty of the accountant to do all in his power to help him acquire it, and then to leave it to the executive to make proper use of the results the accountant periodically presents.

3. Organizing a Business for Cost Reduction

Several papers treating different phases of this subject were read. The first of these, by the editor of a well known technical magazine, is a magnificent presentation and summing up of 160 of the most elucidating answers to a questionnaire sent out to 1100 American industrial concerns in regard to the importance of their cost data as a help to cost reduction, executive control, etc. This report is worth a thorough study by anyone interested in the subject, but to the present reviewer again it appears to emphasize too much the importance of the accounting and cost department in these matters rather than its product in the hands of the competent executive.

The second paper which presented the particular manner in which "the expense of idle facilities" are dealt with by a certain Philadelphia company, might as well have been presented at the following session, which dealt with the treatment of variation from standard costs. It is a good example of how the failure of the general shop executive of the past to realize the great loss involved in idle equipment had led to an attempt to estimate closely this loss in dollars and cents, in order to drive home the desirability of a high level of production to keep the burden down. But while the lack of realization of this was quite general in the past, the executives of industries employing large expensive machine tools, such as certain steel works, have long since if not always recognized this in a manner sufficiently forceful not to require any "estimated" segregation of this loss in the analysis of the burden, and have derived all the benefit obtainable from such segregation by daily, weekly, and monthly statements of the working hours each machine has been idle during the period. This is all that Mr. Taylor ever did, but he insisted on this being done in every industry in addition to the placing of a card on the route board giving reasons for the idleness whenever a machine or other work place for any reason whatever could not be supplied with job cards for work ahead.

The third paper, which gives definite examples of reduced cost of production in a well known large middle western factory as a consequence of excessive costs re-

vealed by a cost department having knowledge of comparable lower costs, reduces itself to a mere argument in favor of cost finding and analysis, matters that no longer should need further evidence.

4. Proper Treatment of Variations from Standard Costs

Under this heading three papers were presented, followed by many discussions; but the net result of the whole session was nothing more than an exposure of the great and almost inevitable confusion that has built itself around the notion of "standard costs," and the way of determining and disposing of variations from such costs. The principal exponent of "standard costs," in discussing the papers, made the statement that the main utility of basing cost accounting on "standard costs" is the reduction of the cost of cost-keeping itself. While the term "standard costs" appears to be of recent origin, and is a term which, like many others, contains the word standard in an alluring way, the use of the word in such connections differs greatly from that in which Mr. Taylor used it. At the same time, the reviewer nearly fifteen years ago encountered in a New England factory the essential idea of "standard costs" and variations from these, the variation being charged directly to P. and L. at the end of each month under the name of Manufacturing Profit or Loss. The fact that those costs were made up of piece work prices that at times were supplanted by day wages, and that the burden was only an assumed percentage on labor later proved to be absolutely absurd, does not nullify the fact that they contained the essential idea of the recent notion of standard costs.

5. Some Debatable Points in Cost Accounting

The appointed chairman of the session, one of the leading consulting accountants of the country, of wide experience and forceful personality, had prepared a long list of divisions of this subject for discussion. While many interesting discussions were offered not enough time was set aside to do justice to the pains taken in the preparation of this list by the chairman, so that the net result was about the same unsatisfactory failure to reach any generally accepted conclusions by the session as a whole, though it is easy to realize how the chairman's own convictions would have answered the numerous questions raised by himself, had he been at liberty to do this.

Summing up the convention as a whole the reviewer feels that it reveals, as have all previous conventions of the association, the lack of any general underlying principles on which the professional accountant builds up his opinions and practices, except perhaps the demonstrably false principle that inventories including selling expenses are inflated. Tax considerations may or may not be a valid excuse for putting as low a valuation on manufactured inventories as possible, though if the tax laws would remain unaltered through a long period, it does not seem possible that any juggling of accounts short of a successful falsification of the actual profit or loss could lead to a reduction of the total tax paid through a term of years.

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THE development of cooperation between management and the labor movement for the elimination of industrial waste will develop automatically a mighty agency for the elimination of industrial conflict.

—Hugh Frayne, page 147

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